



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 2b

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Memorandum

TO: Legislation Committee
FR: Executive Director
RE: FY 2013-14 State Budget

DATE: June 14, 2013
W. I. 1131

Budget Deal Reached

At the time this memo was finalized, the Legislature had reached agreement on all outstanding budget issues, with the ultimate concession coming when legislative leaders agreed to adopt the Governor's more conservative revenue projection — \$97.2 billion — as opposed to the \$100 billion forecast by the Legislative Analyst's Office. The final budget increases funding for all schools, while also incorporating Governor Brown's proposal to provide *extra* funding for schools with a disproportionate share of low-income and English-language learner students, and provides additional funding for social services and health programs cut over the previous years. Two key transportation items that emerged from the negotiations are described below.

\$500 Million in Cap-and-Trade Funds Loaned to General Fund

In a disappointing final decision, the Budget Conference Committee approved Governor Brown's request to transfer the full \$500 million in anticipated cap-and-trade auction revenues to the General Fund, as a loan with no specified repayment date. The loan provides the Legislature and the Administration additional time to negotiate an expenditure plan for these funds. In addition, the loan provides more time for lawsuits challenging the cap-and-trade program to be resolved. Separate challenges filed by the California State Chamber of Commerce and the Morning Star Packing Company allege that the cap-and-trade program is an illegal tax because AB 32 — which authorized the cap-and-trade program — was not approved by two-thirds of both houses of the state legislature, as the California Constitution requires for taxes.

Active Transportation Program Revived

A last-minute change that emerged in budget negotiations revived the Administration's proposed Active Transportation Program (ATP). Specifically, while the budget includes appropriations for specific accounts that would be consolidated under the ATP, including the Bicycle Transportation Account, the Environmental Mitigation & Enhancement Program Fund, Local Transportation Enhancement grant program and Safe Routes to Schools, it provides that the funds are "not available for expenditure until the Secretary of the Transportation Agency convenes a working group by August 31, 2013...and until legislation is enacted that creates a new program to promote active transportation." Considering that this freezes approximately \$134 million in funds until new legislation is enacted, there will be much activity over the next two months crafting an ATP bill. MTC staff will engage in this process with the goal of establishing a well-designed program.



Steve Heminger